

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 SP-02 STR-05 TRSE-00 LAB-04  
SIL-01 OMB-01 AGRE-00 SS-15 NSC-05 L-03 H-01  
PRS-01 PA-01 USIA-06 /082 W  
-----017314 271220Z /46

R 261647Z OCT 77  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 2754  
INFO ALL EC CAPITALS  
AMEMBASSY BELGRADE

C O N F I D E N T I A L BRUSSELS 14960

USEEC

E.O. 11652: GDS  
TAGS: EEC, YO, ECIN, PFOR  
SUBJ: EC-YUGOSLAV RELATIONS

REF: BELGRADE 7201

1. WE AGREE WITH REFTEL. WE ACCEPT ITS ANALYSIS, AS DO  
EC MEMBER STATES AND THE EC COMMISSION, REGARDING THE  
POLITICAL IMPORTANCE OF ENHANCED EC-YUGOSLAV ECONOMIC  
RELATIONS. MISSION HAS FREQUENTLY EMPHASIZED THIS POINT,  
AND WILL CONTINUE TO DO SO AT VARIOUS LEVELS IN THE  
COMMUNITY AS OPPORTUNITIES ARISE. SPECIFICALLY, WE  
INTEND TO PASS TO COMMISSION THE PRECISE FIGURES ON  
YUGOSLAVIA'S TRADE WITH EASTERN EUROPE PROVIDED IN  
REFTEL, ALTHOUGH WE THINK BELGRADE HAS PROBABLY ALREADY  
MADE THESE FIGURES AVAILABLE TO EC.

2. WHILE COMMUNITY IS AWARE OF POLITICAL IMPORTANCE OF  
HELPING TO PROVIDE YUGOSLAVIA AN ECONOMIC ANCHOR WEST-  
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WARD, AS MISSION HAS PREVIOUSLY REPORTED COMMUNITY IS  
IN A QUANDARY AS TO WHAT IT CAN EFFECTIVELY DO IN THE  
SHORT TERM ON SEVERAL ISSUES OF CONCERN TO BELGRADE:  
(A) ECONOMIC COOPERATION AND INVESTMENT. PRODUCTIVE AND  
FINANCIAL ENTERPRISES IN EC MEMBER COUNTRIES HAVE SHOWN  
LITTLE INTEREST TO DATE IN VARIOUS POSSIBLE KINDS OF  
INVOLVEMENT IN YUGOSLAVIA, A PREDOMINANTLY STATE TRADING

COUNTRY. SOME EC OFFICIALS THINK THAT UNDER THE NEW EC-YUGOSLAV AGREEMENT TO BE NEGOTIATED IN THE MONTHS AHEAD, THE COMMUNITY MIGHT AGREE TO TRY TO DO MORE TO ENCOURAGE WESTERN EUROPEAN ENTERPRISES SERIOUSLY TO CONSIDER INVESTMENT OR COPRODUCTION IN YUGOSLAVIA, ALTHOUGH THIS ENCOURAGEMENT WOULD HAVE TO BE OF A LARGELY HORTATORY NATURE.

(B) YUGOSLAV WORKERS. WITH 6 MILLION UNEMPLOYED IN THE NINE EC MEMBER COUNTRIES, THERE IS NO CHANCE THAT COMMUNITY WILL ACCEPT ADDITIONAL YUGOSLAV WORKERS IN ORDER TO INCREASE WORKER HARD CURRENCY REMITTANCES TO YUGOSLAVIA.

(C) TRADE. WHILE SOME MODEST IMPROVEMENT IN YUGOSLAV-EC TRADE IMBALANCE MIGHT BE POSSIBLE, GIVEN PRESENT WORLD-WIDE TRADE TRENDS IT IS LIKELY TO BE VERY MODEST INDEED. IN THIS CONNECTION, EC COMMISSION HAS JUST PROPOSED TO EC COUNCIL THE ADOPTION OF A REGIME FOR IMPORTS OF BABY BEEF MORE FAVORABLE TO YUGOSLAVIA, AND WE UNDERSTAND THAT SOME PROPOSALS COMMUNITY WILL PUT TO MTN ARE LIKELY TO FAVOR YUGOSLAVIA.

3. IT IS OUR PRESENT GUESS THAT IN THE FORTHCOMING NEGOTIATIONS ON A NEW EC-YUGOSLAVIA ECONOMIC COOPERATION FRAMEWORK AGREEMENT, THE YUGOSLAVS MIGHT BE MORE CONFIDENTIAL

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SUCCESSFUL IN PERSUADING THE EC TO PROVIDE FINANCIAL AID BEYOND THE 50 MILLION UNITS OF ACCOUNT (1 U.A. \$1.15) PROMISED LAST YEAR THAN IN PERSUADING EC TO MAKE SUBSTANTIAL TRADE CONCESSIONS. PERHAPS GOY SHOULD, THEREFORE, BE DISCREETLY ENCOURAGED TO CONCENTRATE SOME OF ITS NEGOTIATING EFFORTS IN THAT DIRECTION.

4. MISSION RECALLS THAT YUGOSLAVIA'S POLITICAL AND ECONOMIC PROSPECTS, WITH PARTICULAR REFERENCE TO POST-TITO PERIOD, WERE DISCUSSED IN RESTRICTED SESSION AT LAST FALL'S SEMI-ANNUAL US-EC CONSULTATIONS IN WASHINGTON. IT SEEMS TO US THAT YUGOSLAVIA IS OF SUFFICIENT IMPORTANCE IN THE EAST-WEST BALANCE TO WARRANT AT LEAST ANNUAL REVIEW BY THE TWO SIDES. WE PROPOSE, THEREFORE, THAT YUGOSLAVIA BE ADDED TO THE AGENDA FOR THE RESTRICTED SESSION OF THE NOVEMBER 7 CONSULTATIONS IN WASHINGTON. HINTON

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